

TexasOnline 2.0 BUSINESS MODEL FORECAST

Appendix E.3 Instructions for Completing E.3 Core Requirements

This worksheet is for information purposes only.

General Instructions for E.3-Core Requirements (All Worksheets)

IMPORTANT INSTRUCTIONS: *Completion of E.3-Core Requirements, is a mandatory requirement of the RFO. A full and fair evaluation of the Vendor Offer cannot be completed without the information provided in all worksheets for this Appendix.* The Business Model Forecast is a projected Statement of Operations for the TexasOnline 2.0 core requirements as stated in Section 2.4.1. The Vendor will prepare and submit estimates for revenues, costs, capital investments, and key operational metrics in accordance with these instructions. The Business Model Forecast gives DIR a comprehensive estimate of the economic value of the Vendor offer for the core requirements of TexasOnline 2.0.

The Vendor will provide the best estimate on revenues that is consistent with and supported by the plans submitted in its Offer. Appendix E.3 contains three separate worksheets.

Worksheet E.3(a)-Core Requirements, excluding Master Work Order: Submit detailed financial estimates for TexasOnline 2.0 services, excluding the Master Work Order.

Worksheet E.3(b)-Master Work Order Forecast: Submit detailed financial estimates for the Master Work Order.

Worksheet E.3(c)-Key Service Metrics - Combined: Submit key operational metrics for the TexasOnline 2.0 core requirements.

The information provided in all three worksheets will be combined with other worksheets for evaluation purposes. It is critical that the Vendor does not change the format of this worksheet. Information must be submitted exactly as requested for the Vendor Offer to be considered in compliance.

ESTIMATES ARE BASED IN FISCAL YEARS. It is important to note that estimates must follow the State's fiscal year budget cycle, which for fiscal year 2010 (FY2010), begins September 1, 2009. Since the TexasOnline 2.0 contract begins January 1, 2010, the first estimates for FY2010 (Column C) cover the 8-month period from January 1, 2010 through August 31, 2010. From then on, the Vendor annual estimates will coincide with the State's fiscal year budget cycle until August 31, 2016. Although the contract allows for two 1-year optional periods, the worksheet only requires inputs until the end of FY2016.

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E.3(a) Instructions for Completing Core Requirements, excluding Master Work Order

This worksheet is for information purposes only.

Specific Instructions for E.3(a) Core Requirements, excluding Master Work Order Worksheet

Core Revenues (Lines 6-7): Provide both transaction and service revenues (in dollar terms) expected for each of the fiscal years identified. Do not include Master Work Order revenues. Do not include the Revenues for Portal Enhancements, Strategic Requirements, or Opportunities for Distinction. These must be accounted for separately in Worksheets E.4, E.5, and E.6, respectively.

Total All Costs (Line 42)

Provide a combined estimate of costs for each of the fiscal years identified. Do not include Master Work Order Costs. The Total All Costs for Worksheet E.3(a) is comprised of five components: Variable Costs, 20% State Share of Total Revenues, Labor/Operations Costs, Transition Costs, and Depreciation Costs.

The First Renewal Agreement (p.5) in Appendix F.1(c) defines "costs" as "all costs, expenditures, and expenses either related to capitalized assets or operations as further defined and computed by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB)."

Do not include the costs expected to be incurred for Portal Enhancements, Strategic Requirements, and Opportunities for Distinction. These must be accounted for separately.

Following are additional instructions for completing Worksheet E.3(a).

Variable Costs (Lines 11-14): Expenses that vary in direct proportion to the volume of business (e.g., number of transactions). Major categories for Variable Costs include fees paid for credit card processing, ePay services (provided by the Current Contractor), Call Center and Interactive Voice Response (IVR) services for a driver's license application. For other variable costs not identified in the above categories, please input your estimate in the "Other" fields (Line 10). In the narrative response, clearly indicate the costs included in this category.

20% State Share of Total Revenue (Line 17): The current business model (base case) requires TexasOnline to pay a 20 percent share of total revenues to the State, net of credit card fees. This expense is calculated automatically in the worksheet.

Total Labor/Operations Costs (Line 25): The sum of all costs for Labor and non-Labor Operations costs.

- Labor Costs (Lines 20-24): Provide salary and wage expenses (in dollars) for personnel organized along the five departments as defined in E.1.
- Non-Labor Operations Costs (Lines 28-33): Provide estimates for key operational cost areas that are not related to labor.
 - Data Center (Line 28): As covered in Section 2.6.4, the Data Center operations for TexasOnline 2.0 will be provided as a service by Team for Texas. This estimated amount is for TexasOnline and the Master Work Order combined. To understand the scope and estimate costs for the Data Center operations (Line 28), please refer to F.5-Data Center Services Reference Material, for additional information.
 - TEX-AN (Line 29): TexasOnline 2.0 is required to purchase its telecommunications services from the TEX-AN NG contracts. As of the date of this publication, the TEX-AN NG contracts are not available for Vendors to use in their projections. The Vendor will use the actual TexasOnline network services cost from fiscal year 2008, which was \$174,861, as the cost for each year of the Initial Term of the Agreement. The TEX-AN cost is for information purposes only and does not reflect any forward-looking description of anticipated usage.

- Software Licensing (Line 30): Represents the installation and ongoing maintenance license fees for all general management and application-specific software. This does not include the cost of systems software and other software provided by the Data Center Schedule (Appendix F.5). Software Licensing costs associated with Capital Investments, such as for Infrastructure or New Applications, should not be included in this line.
- Non-Data Center Hardware (Line 31): The Vendor may make investments in computer hardware and other equipment that are not within the scope of the Data Center operations.
- Marketing/Promotions (Line 32): The Vendor may incur costs related to developing communications collateral, promotional materials, advertising, and other marketing services that are required by plans to reach new and existing customers.
- Other Operational Costs (Line 33): Any additional non-labor costs that have not been identified above should be input in this cost area. The Vendor will provide an explanation of these costs in its Financial Plan response per Section 3.6 of the RFO.

Depreciation (Line 36): The Vendor must estimate the depreciation expense related to the investment in Capital Assets (Lines 46-47) in accordance with GAAP.

Implementation Costs (Line 39): The estimate of the Vendor costs to support the first transition from the current contract to the TexasOnline 2.0 contract. The period of implementation is assumed to be June 1, 2009 to December 31, 2009. The Vendor is assumed to have near full operational staffing at least one month prior to the existing contract expiration. Note that FY2009 ends on August 31, 2009. FY2010 costs only cover a four-month period, from September 1, 2009 to December 31, 2009. Implementation costs are one-time costs only. For a further description of the implementation effort and the activities within and outside the scope of Implementation, refer to RFO Sections 2.4.1, 2.4.1.1, 2.4.1.2, and 2.4.1.3.

Capital Investment (Lines 46-47): The estimate of Vendor's planned expenditures for Capital Investment for TexasOnline 2.0 services throughout the base contract period. Capital Investments refers to money invested that is used to purchase fixed assets or in the development of a new application or service, rather than used to cover the business' day-to-day operating expenses. For the purposes of this Statement of Operations, Capital Investments are categorized as either investments in Internal Infrastructure or New Application Development.

The First Renewal Agreement (p.5) in Appendix F.1(c) defines "capital assets" as "long-term assets with a depreciable life of at least one year and a cost of at least \$5,000, generally including assets such as land, buildings, fixtures, and equipment."

Do not include the Capital Investments for Portal Enhancements, Strategic Requirements, and Opportunities for Distinction. These must be accounted for separately in Worksheets E.4, E.5, and E.6, respectively.

Available Contribution for Investment Recovery and Net Share (Line 50): The net amount (surplus or deficit) that Total Revenues exceed Total All Costs and Capital Investments on an annual basis. The net contribution surplus is applied toward the Vendor's accrued Capital Investments until full recovery of investments is reached. Once the breakeven point for the Vendor's investments is reached, the Net Contribution dollars are available for a Net Share (50/50) distribution to the State and Vendor.

E.3(a) Core Requirements, excluding Master Work Order

appendix_e3.xls E.3(a)TxO(less MWO) Forecast

Statement of Operations

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Revenues							
Transaction Revenue							
Service Revenue							
Total Revenues	-	-	-	-	-	-	-
Variable Costs							
Credit Card Fees							
ePay/Transaction Processing							
Call Center Support and DL IVR							
Other							
Total Variable Costs	-	-	-	-	-	-	-
20% State Share of Total Revenue	-	-	-	-	-	-	-
Labor Costs							
Management (General & Administrative)							
Operations							
Product Development/Tech/Engineering							
Marketing/Outreach							
Help Desk/Customer Support							
Total Labor Costs	-	-	-	-	-	-	-
Non-Labor Operations Costs							
Data Center							
TEX-AN							
Software Licensing							
Non-Data Center Hardware							
Marketing/Promotion							
Other							
Total Non-Labor Operations Costs	-	-	-	-	-	-	-
Depreciation Costs							
Implementation Costs							
	FY2009	N/A	N/A	N/A	N/A	N/A	N/A
Total All Costs	-	-	-	-	-	-	-
Capital Investment							
New Application Development							
Internal Infrastructure							
Total Capital Investment	-	-	-	-	-	-	-
Available Contribution for Investment Recovery & Net Share	-	-	-	-	-	-	-

TexasOnline 2.0 BUSINESS MODEL FORECAST

Appendix E.3(b) Instructions for Completing Master Work Order Forecast

This worksheet is for information purposes only.

General Instructions for E.3(b)-Master Work Order Forecast Worksheet
<p>It is important to note that the Master Work Order Forecast must follow the Master Work Order contract, which runs concurrently with the State's fiscal year budget cycle. Per the Second Renewal and Master Work Order Agreements, the Current Contractor is responsible for managing Master Work Order services until August 31, 2012. Consequently, the Vendor is not required to submit financial estimates for Master Work Order for the period FY2010 to FY2012.</p> <p>Beginning September 1, 2012, Master Work Order assets will be transferred to the State and TexasOnline 2.0. The Vendor may be assigned full operational responsibility for the Master Work Order program. From this time on, the Vendor is required to provide revenue, cost, and capital investment estimates through FY2016. Although the contract allows for two 1-year optional periods, the worksheet only requires inputs until the end of FY2016.</p>
Specific Instructions for E.3(b) Master Work Order Forecast Worksheet
<p>Master Work Order Revenues (Lines 6-7): For the Master Work Order program only, provide both projected transaction and service revenues (in dollar terms) for the fiscal years identified. The Vendor is not required to submit a Master Work Order revenue estimate for FY2010 to FY2012. Beginning in FY2013 (calendar period September 1, 2012 to August 31, 2013), the Vendor is required to provide revenue projections through FY2016. Do not include in this worksheet revenues for Portal Enhancements, Strategic Requirements, or Opportunities for Distinction. These must be accounted for separately in Worksheets E.4, E.5, and E.6, respectively.</p> <p>Total All Costs (Line 42): For the Master Work Order program only, provide a combined estimate of costs that support plans for each of the fiscal years identified. The cost estimate for Worksheet E.3 (b) is comprised of five components: Variable Costs, 20% State Share of Total Revenues, Labor/Operations Costs, Transition Costs for TexasOnline, and Depreciation Costs.</p> <p>The First Renewal Agreement (p.5) in Appendix F.1(c) defines "costs" as "all costs, expenditures and expenses either related to capitalized assets or operations as further defined and computed by Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB)."</p> <p>Do not include the costs expected to be incurred for Portal Enhancements, Strategic Requirements, or Opportunities for Distinction. These must be accounted for separately.</p> <p><i>Following are additional instructions for completing Worksheet E.3(b).</i></p> <p>Variable Costs (Lines 11-14): Expenses that vary in direct proportion to the volume of business (e.g., number of transactions). Major categories for Variable Costs include fees paid for credit card processing, ePay services (provided by current contractor), and Hosted Service Fees (also provided by current contractor). The Hosted Service fees are charged to TexasOnline based on the number of non-emissions inspection certificates sold in the State. For the fee rate, refer to Appendix F.6-Master Work Order Agreement, Motor Vehicle Inspection, Exhibit A, p.20. Hosted Service fees also include data broker fees for vital records (see June Monthly TexasOnline Report, Schedule 7, for more information).</p> <p>20% State Share of Total Revenue (Line 17): The current business model (base case) requires TexasOnline to pay a 20 percent share of total revenues to the State, net of credit card fees. This expense is calculated automatically in the worksheet.</p>

Total Labor/Operations Costs (Line 25): The sum of all costs for Labor and non-Labor Operations costs.

- Labor Costs (Line 20-24): Provide salary and wage costs (in dollars) for personnel organized along the five departments as defined in E.1.-
- Non-Labor Operations Costs (Lines 28-33): Provide estimates for key operational cost areas that are not related to labor.
 - Data Center (Line 28): As covered in Section 2.6.4, the Data Center operations for TexasOnline 2.0 will be provided as a managed service by Team for Texas. To understand the scope and estimate costs for the Data Center operations (Line 23), please refer to F.5-Data Center Service Reference Materials, for additional information.
 - TEX-AN (Line 29): TexasOnline 2.0 is required to purchase its telecommunications services from the TEX-AN NG contracts. As of the date of this publication, the TEX-AN NG contracts are not available for Vendors to use in their projections. The Vendor will use the actual TexasOnline network services cost from fiscal year 2008, which was \$174,861, as the cost for each year of the Initial Term of the Agreement. The TEX-AN cost is for information purposes only and does not reflect any forward-looking description of anticipated usage.
 - Software Licensing (Line 30): Represents the installation and ongoing maintenance license fees for all general management and application-specific software. This does not include the cost of systems software and other software provided by the Data Center Schedule (Appendix F.8). Software Licensing costs associated with Capital Investments, such as for Infrastructure or New Applications, should not be included in this line.
 - Non-Data Center Hardware (Line 31): The Vendor may invest in computer hardware and other equipment that are not within the scope of the Data Center operations.
 - Marketing/Promotions (Line 32): The Vendor may incur costs related to developing communications collateral, promotional materials, advertising, and other marketing services that are required by plans to reach new and existing customers.
 - Other Operational Costs (Line 33): Any additional non-labor costs that have not been identified above should be input in this cost area. The Vendor will provide an explanation of these costs in its Financial Plan response per Section 3.6 of the RFO.

Depreciation (Line 36): The Vendor must estimate the depreciation expense related to investment in Capital Assets (Lines 46-47) in accordance with GAAP.

Master Work Order Transition Costs (Line 39): The estimate of the Vendor costs to support the second transition from the current Master Work Order contract to the new TexasOnline 2.0 contract in FY2012. The Master Work Order transition must be completed by August 31, 2012, with the Vendor assuming contractual and operational control on September 1, 2012. The Vendor is assumed to have near full operational staffing for Master Work Order projects at least one month prior to the existing contract expiration. The Vendor will provide an estimate for transition costs for only FY2012. Transition costs are one-time only costs and appear only for FY2012.

For a further description of the Transition effort and what activities are within and outside the scope of Transition, refer to Section 2.4.1.1 and Section 2.4.1.2.

Capital Investment (Lines 46-47): The estimate of the Vendor planned expenditures for Capital Investment for Master Work Order services throughout the base contract period. Capital Investments refers to money invested that is used to purchase fixed assets or in the development of a new application or service, rather than used to cover the business' day-to-day operating expenses. For the purposes of this Statement of Operations, Capital Investments are categorized as either investments in Internal Infrastructure or New Application Development.

The First Renewal Agreement (p.5) in Appendix F.1(c) defines "capital assets" as "long-term assets with a depreciable life of at least one year and a cost of at least \$5,000, generally including assets such as land, buildings, fixtures, and equipment."

Do not include the Capital Investments for Portal Enhancements, Strategic Requirements, or Opportunities for Distinction. These must be accounted for separately in Worksheets E.4, E.5, and E.6, respectively.

Available Contribution for Investment Recovery and Net Share (Line 50): The net amount (surplus or deficit) that Total Revenues exceed Total All Costs and Capital Investments on an annual basis. The net contribution surplus is applied toward the Vendor accrued Capital Investments until full recovery of investments is reached. Once the breakeven point for the Vendor investment is reached, the Net Contribution dollars are available for a Net Share (50/50) distribution to the State and Vendor.

Appendix E.3(c) Instructions for Completing Key Service Metrics – Combined

General Instructions for E.3(c)-Key Service Metrics – Combined

Completion of Worksheet E.3(c)-Key Service Metrics is a mandatory requirement of the RFO. A full and fair evaluation of the Vendor Offer cannot be completed without the information provided in this worksheet. Information must be submitted exactly as requested for the Vendor Offer to be considered in compliance.

Specific Instructions for E.3(c) Key Service Metrics - Combined

Identify, using the current numbers that are provided as a starting point, the total number of applications, services, page views, and transactions that support the forecast for all of TexasOnline 2.0, which includes both Core Requirements and Master Work Order for the fiscal years identified.

- Applications (Line 5)
- Services (Line 6)
- Total Page Views (Line 7)
- Number of Transactions (Line 8)

E.3(c) Key Service Metrics – Combined
Combined TexasOnline 2.0 including Master Work Order

	Baseline	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Applications	152							
Services	842							
Total Page Views	2,175,000							
Number of Transactions	1,400,000							